

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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**FISCAL IMPACT STATEMENT**

**LS 6671**

**BILL NUMBER:** HB 1237

**NOTE PREPARED:** Jan 5, 2011

**BILL AMENDED:**

**SUBJECT:** Medicaid Matters.

**FIRST AUTHOR:** Rep. Davisson

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
X FEDERAL

**IMPACT:** State

**Summary of Legislation:** This bill requires the Office of Medicaid Policy and Planning (OMPP) to take specified action in considering whether to begin the competitive bid process for certain items and services. The bill requires the office to ensure that: (1) the competitive bidding procedure is open to all persons currently providing the item or service for the Medicaid program; and (2) the bidding specifications are not written to give an advantage to an out-of-state company.

The bill also requires the office to apply for a Medicaid State Plan amendment or a Medicaid waiver to limit Medicaid services to legal residents of the United States. It also repeals Medicaid provisions that specify that refugees and lawful permanent residents are eligible for Medicaid.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:** The cost of the competitive bidding provisions of this bill would depend on the number of times OMPP would seek competitive bids for Medicaid-reimbursed drugs, supplies, equipment, and services. The additional procedural requirements would result in additional workload for the agency and, potentially, added time for the development of a new procurement.

The cost of the provision limiting Medicaid eligibility to legal residents of the U.S. would be administrative in nature. Medicaid waiver and plan amendments are generally considered to be administrative in nature and achievable within the current level of resources available to the OMPP. Any fiscal impact related to the exclusion of the expenses of refugees and lawful permanent residents would depend on the Centers for Medicare and Medicaid Services (CMS) approval of a State Plan amendment or waiver.

*Competitive Bidding Provisions:* The bill would require OMPP to contact providers to determine if the services or supplies could be provided at lower cost or increased efficiency prior to beginning the competitive bidding process. The bill does not prohibit OMPP from proceeding with the competitive bidding process once the providers have been contacted. OMPP should be capable of performing this requirement within the current level of resources available.

The bill specifies that if OMPP decides to seek competitive bids after completing the pre-bid requirements outlined, it is to ensure the bidding procedure is open to all current Medicaid providers of the supply or service and that the bid specifications are not written to give an advantage to an out-of-state company. By law, the Indiana Department of Administration (IDOA) is the purchasing agent for all executive branch agencies. While OMPP may supply the parameters for a proposed purchase, IDOA controls the competitive bidding process.

Medicaid is jointly funded by the state and federal governments. The effective state share of program expenditures is approximately 34% for most services. Medicaid medical services are matched by the effective federal match rate (FMAP) in Indiana at approximately 66%. Administrative expenditures with certain exceptions are matched at the federal rate of 50%. Federal ARRA-enhanced Medicaid stimulus funding will be available to the state until June 30, 2011.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** OMPP, Family and Social Services Administration; IDOA.

**Local Agencies Affected:**

**Information Sources:** IDOA, procurement web site at: <http://www.in.gov/idoa/2694.htm> and IC 5-22.

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